

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0471-01
Bill No.: HB 304
Subject: Emergencies; Law Enforcement Officers and Agencies; Revenue Department;
Tax Credits
Type: Original
Date: February 23, 2011

Bill Summary: This proposal authorizes an income tax credit for certain public safety officers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	\$0	(Unknown greater than \$22,709)	(Unknown greater than \$35,773)
Total Estimated Net Effect on General Revenue Fund	\$0	(Unknown greater than \$22,709)	(Unknown greater than \$35,773)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	0 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	0 FTE	1 FTE	1 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume this proposal should not result in additional costs or savings to BAP. This proposal provides a tax credit, up to \$3,000 per year, for firefighters, police officers, and other public safety officers in reserve status.

BAP does not have data on the number of reserve officers in MO. According to the US BLS, in 2008, there were 365,600 firefighters in the US, and 883,600 police in the US. Based on these data, BAP estimates the number of public safety officers in MO as 22,000. Using this figure, at \$3,000, this proposal would reduce general and total state revenues by \$66M annually. However, this number may be smaller, as many in these statistics are not "reserve" officers. Or, the number may also be larger, as any reserve "public safety officer" is eligible for the credit.

Officials at the **Department of Revenue** assume the department would need to make form and instruction changes. DOR and ITSD-DOR would need to make programming changes to various processing systems.

DOR's response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$13,356 for 1,008 FTE hours.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

DOR's Personal Tax Division will need one Revenue Processing Technician I for every 6,000 credits claimed.

Oversight has, for fiscal note purposes only, changed the starting salary for a Revenue Processing Technician I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees over the last six months of FY 2010 and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

Oversight assumes DOR's estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2013 could be reduced by roughly \$5,000.

Oversight is unaware of the number of public safety officers in the state or the number who would qualify for this tax credit. There is no annual limit to this program; therefore, Oversight will assume an UNKNOWN amount of tax credits will be issued from this new program. The start date for the credit is for taxable years beginning on or after January 1, 2012; therefore, Oversight will assume the credits may be claimed starting in January 2013, or FY 2013. Oversight will show DOR as beginning the FTE for half of FY 2013.

Officials at the **Missouri Highway Patrol** and the **Division of Fire Safety** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

This proposal could result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Cost - Department of Revenue</u>			
Personal Service	\$0	(\$11,454)	(\$23,136)
Fringe Benefits	\$0	(\$5,995)	(\$12,109)
Equipment and Expense	<u>\$0</u>	<u>(\$5,260)</u>	<u>(\$528)</u>
Total Costs - Dept of Revenue	\$0	(\$22,709)	(\$35,773)
FTE Change - DOR	0 FTE	1 FTE	1 FTE
<u>Loss - General Revenue</u>			
Tax credit for public safety officers	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(Unknown greater than \$22,709)</u>	<u>(Unknown greater than \$35,773)</u>
Estimated Net FTE Change on General Revenue	0 FTE	1 FTE	1 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2012 (10 Mo.)	 FY 2013	 FY 2014
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

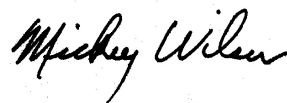
Beginning January 1, 2012, this bill authorizes an income tax credit equal to \$10 per hour worked in reserve status for certain public safety officers working at no charge or cost to the public agency. The credit for an individual cannot exceed \$250 a month and \$3,000 per year. The credit is not refundable or transferable, but can be carried forward for up to four taxable years.

The provisions of the bill will expire December 31 six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Revenue
Division of Fire Safety
Missouri Highway Patrol
Office of the Secretary of State



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Director
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